SENATE, No. 3600



STATE OF NEW JERSEY

219th LEGISLATURE



INTRODUCED APRIL 19, 2021

Sponsored by:

Senator NICHOLAS J. SACCO

District 32 (Bergen and Hudson)

Senator TROY SINGLETON

District 7 (Burlington)

SYNOPSIS

Restores and revises Urban Enterprise Zone program.

CURRENT VERSION OF TEXT

As introduced.



An Act concerning urban enterprise zones, amending P.L.2001, c.347 and P.L.1989, c.207, amending and supplementing P.L.1983, c.303, and repealing various parts of the statutory law.

Be It Enacted by the Senate and General Assembly of the State of New Jersey:

1. Section 3 of P.L.1983, c.303 (C.52:27H-62) is amended to read as follows:

3. As used in **[**this act**]** P.L.1983, c.303 (C.52:27H-60 et seq.):

a. "Enterprise zone" or "zone" means an urban enterprise zone designated by the authority pursuant to **[**this act**]** P.L.1983, c.303 (C.52:27H-60 et seq.);

b. "Authority" or "UEZ Authority" means the New Jersey Urban Enterprise Zone Authority created by **[**this act**]** P.L.1983, c.303 (C.52:27H-60 et seq.);

c. "Qualified business" means any entity authorized to do business in the State of New Jersey which, at the time of designation as an enterprise zone or a UEZ-impacted business district, is engaged in the active conduct of a trade or business in that zone or district; or an entity which, after that designation but during the designation period, becomes newly engaged in the active conduct of a trade or business in that zone or district and has at least **[**25%**]** 25 percent of its full-time employees employed at a business location in the zone or district, **[**meeting**]** which zone or district meets the criteria set forth in section 12 of P.L. , c. (C. ) (pending before the Legislature as this bill), or is an industrial business located in an industrial hub, and which employees meet one or more of the following criteria:

(1) Residents within the zone, the district, within another zone or within a qualifying municipality; or

(2) Unemployed for at least six months prior to being hired and residing in New Jersey, and recipients of New Jersey public assistance programs for at least six months prior to being hired, or either of the aforesaid; or

(3) Determined to be low income individuals pursuant to the Workforce Investment Act of 1998, Pub.L.105-220 (29 U.S.C. s.2811);

Approval as a qualified business shall be conditional upon meeting all outstanding tax obligations, and may be withdrawn by the authority if a business is continually delinquent in meeting its tax obligations;

d. "Qualifying municipality" means any municipality **[**in which there was, in the last full calendar year immediately preceding the year in which application for enterprise zone designation is submitted

pursuant to section 14 of P.L.1983, c.303 (C.52:27H-73), an annual average of at least 2,000 unemployed persons, and in which the municipal average annual unemployment rate for that year exceeded the State average annual unemployment rate; except that any municipality which qualifies for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et seq.) shall qualify if its municipal average annual unemployment rate for that year exceeded the State average annual unemployment rate. The annual average of unemployed persons and the average annual unemployment rates shall be estimated for the relevant calendar year by the Office of Labor Planning and Analysis of the State Department of Labor and Workforce Development. In addition to those municipalities that qualify pursuant to the criteria set forth above, that municipality accorded priority designation pursuant to subsection e. of section 7 of P.L.1983, c.303 (C.52:27H-66), those municipalities set forth in paragraph (7), paragraph (8) of section 3 of P.L.1995, c.382 (C.52:27H-66.1), and paragraph (9) of section 3 of P.L.1995, c.382 as amended by section 3 of P.L.2004, c.75 (C.52:27H-66.1), and the municipalities in which the three additional enterprise zones, including the joint enterprise zone, are to be designated pursuant to criteria according priority consideration for designation of the zones pursuant to section 12 of P.L.2001, c.347 (C.52:27H-66.7) shall be deemed qualifying municipalities**]** :

(1) that was previously designated as a qualifying municipality prior to the effective date of P.L. , c. (pending before the Legislature as this bill); or

(2) that is among the top 20 percent of the most distressed New Jersey municipalities according to the most recent Municipal Revitalization Index, and:

(a) in which the share of parcels accounted for by commercial and industrial property exceeds the Statewide average of commercial and industrial parcels according to the most recently released Property Value Classification prepared by the Department of the Community Affairs, and

(b) which has an unemployment rate that exceeds the most recent annual Statewide unemployment rate;

e. "Public assistance" means income maintenance funds administered by the Department of Human Services or by a county welfare agency;

f. "Zone development corporation" means a nonprofit corporation or association created or designated by the governing body of a qualifying municipality to formulate and propose a preliminary zone development plan pursuant to section 9 of P.L.1983, c.303 (C.52:27H-68) and to prepare, monitor, administer and implement the zone development plan;

g. "Zone development plan" means a plan adopted by the governing body of a qualifying municipality for the development of an enterprise zone therein, and for the direction and coordination of activities of the municipality, zone businesses and community organizations within the enterprise zone toward the economic betterment of the residents of the zone and the municipality;

h. "Zone neighborhood association" means a corporation or association of persons who either are residents of, or have their principal place of employment in, a municipality in which an enterprise zone has been designated pursuant to **[**this act**]** P.L.1983, c.303 (C.52:27H-60 et seq.); which is organized under the provisions of Title 15 of the Revised Statutes or Title 15A of the New Jersey Statutes; and which has for its principal purpose the encouragement and support of community activities within, or on behalf of, the zone so as to (1) stimulate economic activity, (2) increase or preserve residential amenities, or (3) otherwise encourage community cooperation in achieving the goals of the zone development plan;

i. "Enterprise zone assistance fund" or "assistance fund" means the fund created by section 29 of P.L.1983, c.303 (C.52:27H-88); **[**and**]**

j. "UEZ-impacted business district" or "district" means an economically-distressed business district classified by the authority as having been negatively impacted by two or more adjacent urban enterprise zones in which **[**50%**]** 50 percent less sales tax is collected pursuant to section 21 of P.L.1983, c.303 (C.52:27H-80);

k. “Block group” means statistical divisions of census tracts, that are generally defined by the United States Census Bureau to contain between 600 and 3,000 people and are used to present data and control block numbering;

l. "Municipal Revitalization Index" means the index developed, maintained, and updated from time to time, by the Department of Community Affairs ranking New Jersey’s municipalities according to separate indicators that measure diverse aspects of social, economic, physical, and fiscal conditions in each locality;

m. “Qualified assistance fund expense” means any reasonable expense related to:

(1) a construction project improving, altering, or repairing the real property of a qualified business located in an enterprise zone;

(2) full or part time economic and community development positions in the municipality, other governmental, or not-for-profit organization, or marketing;

(3) loans, grants, and guarantees to businesses;

(4) payroll expenses and equipment purchases primarily for the provision of law enforcement, fire protection, or emergency medical services within commercial and transportation corridors;

(5) planning and other professional services related to economic and community development;

(6) cleaning and maintenance of commercial and transportation corridors;

(7) the improvement of public infrastructure in a commercial or transportation corridor;

(8) the improvement of public infrastructure related to a commercial, industrial, mixed use, or multi-family residential property; or

(9) employment and training programs.

n. “UEZ coordinator” means an individual designated by a qualified municipality or zone development corporation as the individual in charge of the activities related to the Urban Enterprise Zone program in that municipality;

o. “UZ-2 certification” means the UEZ Authority’s certification of a qualified business, pursuant to section 21 of P.L.1983, c.303 (C.52:27H-80), allowing the qualified business an exemption to the extent of 50 percent of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), when the sales transaction physically occurs within an enterprise zone. The qualified business may deliver merchandise to the purchaser at a location outside an enterprise zone provided the sales transaction was physically made within the enterprise zone. The regular tax rate shall be charged for mail order, telephone, internet, and similar sales transactions delivered within the State;

p. “UZ-4 certification” means the UEZ Authority’s certification of a qualified business, pursuant to section 12 of P.L. , c. (C. ) (pending before the Legislature as this bill), allowing a contractor of the qualified business to make tax-free purchases of materials, supplies, and services for the exclusive use of erecting a structure or building on, or improving, altering, or repairing, the real property of a qualified business located in an enterprise zone at the address indicated on the qualified business’s application for certification to the UEZ Authority;

q. “UZ-5 certification” means the UEZ Authority’s certification of a qualified business, pursuant to section 12 of P.L. , c. (C. ) (pending before the Legislature as this bill), allowing the qualified business to make tax-free purchases of office and business equipment and supplies, furnishings, trade fixtures, repair, or construction materials and all other tangible personal property (other than motor vehicles and motor vehicle parts and supplies) for the exclusive use or consumption on the premises of the qualified business within an enterprise zone at an address indicated on the qualified business’s application for certification to the UEZ Authority. The exemption may be used only for personal property controlled by the qualified business. This exemption shall also apply to delivery charges and charges for services performed for a qualified business at its zone location, including repair, janitorial, and maintenance services;

r. “Economic Distress Index” means a standardized score developed and maintained by the Department of Community Affairs that equally incorporates the block group unemployment rate and median household income according to the most recent five-year estimate by the United States Census Bureau;

s. “Major job center” means a block group with an Economic Distress Index score greater than or equal to the 50th percentile and in which the jobs per square mile meets or exceeds the State average according to the most recent estimate by the United States Census Bureau;

t. “Industrial hub” means a block group with 100 or more persons employed by industrial businesses;

u. “Industrial business” means a business with a North American Industry Classification System code of 11 (Agriculture, Forestry, Fishing and Hunting), 21 (Mining), 22 (Utilities), 23 (Construction), 31-33 (Manufacturing), 42 (Wholesale Trade), or 48-49 (Transportation and Warehousing);

v. "Commercial corridor" means the land area with frontage on a State, county, local, or rail thoroughfare in an enterprise zone which is predominantly commercial or industrial; and

w. "Transportation corridor" means a broad geographical band that follows a general directional flow or connects major sources of trips. It may contain a number of streets and highways and transit lines or routes.

(cf: P.L.2006, c.34, s.3)

2. Section 4 of P.L.1983, c.303 (C.52:27H-63) is amended to read as follows:

4. a. There is created the New Jersey Urban Enterprise Zone Authority, which shall consist of:

(1) The **[**Executive Director**]** chief executive officer of the New Jersey Economic Development Authority **[**, who shall be the chair of the authority**]**;

(2) The Commissioner of the Department of Community Affairs, who shall be the chair of the UEZ Authority;

(3) The Commissioner of the Department of Labor and Workforce Development;

(4) The State Treasurer; **[**and**]**

(5) The chief executive officer of the New Jersey Redevelopment Authority; and

(6) **[**Five**]** Four public members not holding any other office, position or employment in the State Government, nor any local elective office, who shall be appointed by the Governor with the advice and consent of the Senate, and who shall be qualified for their appointments by training and experience in the areas of local government finance, economic development and redevelopment, or volunteer civic service and community organization. No more than **[**three**]** two public members shall be of the same political party. At least one public member of the authority shall reside within an enterprise zone; however, the provisions of this section shall apply only to members appointed or reappointed after the effective date of P.L.2001, c.347 (C.52:27H-66.2 et al.).

b. **[**The public members of the authority shall serve for terms of five years, except that of the members first appointed, one shall serve for a term of one year, one shall serve for a term of two years, one shall serve for a term of three years, one shall serve for a term of four years, and one shall serve for a term of five years. Vacancies in the public membership shall be filled in the manner of the original appointments but for the unexpired terms.**]** (Deleted by amendment, P.L. , c. ) (pending before the Legislature as this bill)

c. An ex officio member of the authority may, from time to time, designate in writing to the authority an official within his respective department to attend and represent the department at the meetings of the authority from which the ex officio member is absent, and that designated representative shall be entitled to vote and otherwise act for the ex officio member at those meetings.

d. A true copy of the minutes of every meeting of the authority shall be forthwith delivered by and under the certification of the secretary thereof to the Governor. No action taken at such meeting by the authority shall have force or effect until 10 days, Saturdays, Sundays, and public holidays excepted, after the copy of the minutes shall have been so delivered, unless during such 10-day period the Governor shall approve the same, in which case such action shall become effective upon such approval. If, in that 10-day period, the Governor returns such copy of the minutes with veto of any action taken by the authority or any member thereof at such meeting, such action shall be null and void and of no effect.

e. The UEZ Authority, reconstituted pursuant to P.L. , c. (C.        ) (pending before the Legislature as this bill), shall hold an initial meeting on the first business day of the third month following the date of enactment of P.L. , c. (C. ) (pending before the Legislature as this bill). The public members of the UEZ Authority shall serve for terms of five years, except that of the members first appointed to the reconstituted UEZ Authority pursuant to P.L. , c. (C. ) (pending before the Legislature as this bill), one shall serve for a term of two years, one shall serve for a term of three years, one shall serve for a term of four years, and one shall serve for a term of five years. Vacancies in the public membership shall be filled in the manner of the original appointments but for the unexpired terms.

(cf: P.L.2008, c.27, s.29)

3. Section 3 of P.L.2001, c.347 (C.52:27H-66.2) is amended to read as follows:

3. The authority shall designate a classification known as a "UEZ-impacted business district" for a municipality which can demonstrate to the authority that its business district is economically distressed and is being negatively impacted by the presence of two or more adjacent enterprise zones in which **[**50%**]** 50 percent less sales tax is collected pursuant to section 21 of P.L. 1983, c. 303 (C.52:27H-80). Following the effective date of P.L. , c. (pending before the Legislature as this bill), the UEZ Authority shall not designate a business district as a UEZ-impacted business district. Any designation as a UEZ-impacted business district existing on the effective date of P.L. , c. (pending before the Legislature as this bill) shall expire on the first day of the third year next following the effective date of P.L. , c. (pending before the Legislature as this bill) or upon certification of the UEZ-impacted business district as an enterprise zone, whichever occurs first.

(cf: P.L.2001, c.347, s.3)

4. Section 9 of P.L.1983, c.303 (C.52:27H-68) is amended to read as follows:

9. a. Before **[**applying**]** the governing body of a qualifying municipality may apply for designation **[**of**]** as an enterprise zone, the municipal governing body shall cause a preliminary zone development plan to be formulated, either by a zone development corporation or by the governing body, with the assistance of those officers and agencies of the municipality as the governing body may see fit. **[**The**]** For a municipality with a zone development plan that was approved more than five years prior to the effective date of P.L.  , c. (pending before the Legislature as this bill), the governing body of the municipality shall submit an updated preliminary zone development plan pursuant to this section. In formulating a preliminary zone development plan pursuant to this section, a zone development corporation or the governing body of the municipality shall consult with representatives of diverse Statewide or regional business organizations that represent the interests of minority businesses, as defined in section 2 of P.L.1986, c. 195 (C.52:27H-21.18), which organizations shall have no less than 30 days to review a proposed preliminary zone development plan and submit comments to the zone development corporation or governing body. Each preliminary zone development plan shall **[**set forth the boundaries of the proposed enterprise zone,**]** include findings of fact concerning the economic and social conditions existing in the area proposed for an enterprise zone, and the municipality's policy and intentions for addressing these conditions, and may include proposals respecting:

**[**a.**]** (1) Utilizing the powers conferred on the municipality by law for the purpose of stimulating investment in and economic development of the proposed zone;

**[**b.**]** (2) Utilizing State assistance through the provisions of **[**this act**]** P.L.1983, c.303 (C.52:27H-60 et seq.) relating to **[**exemptions from, and credits against,**]** State **[**taxes**]** tax benefits and enterprise zone assistance funds;

**[**c.**]** (3) Securing the involvement in, and commitment to, zone economic development by private entities, including zone neighborhood associations, voluntary community organizations supported by residents and businesses in the zone;

**[**d.**]** (4) Utilizing the powers conferred by law to revise municipal planning and zoning ordinances and other land use regulations as they pertain to the zone, in order to enhance the attraction of the zone to prospective developers;

**[**e.**]** (5) Increasing the availability and efficiency of support services, public and private, generally used by and necessary to the efficient functioning of commercial and industrial facilities in the area, and the extent to which the increase or improvement is to be provided and financed by the municipal government or by other entities.

b. (1) The governing body of a municipality may request from the UEZ Authority an amount not to exceed 10 percent of the municipality’s zone assistance fund allocation or $125,000, whichever is greater, to fund, in whole or in part, the costs associated with formulating a preliminary zone development plan, which amount the governing body may use to pay employees, or to retain a consultant, to formulate the plan. Prior to soliciting a consultant to formulate the plan with these funds, the governing body of a municipality shall submit to the UEZ Authority the proposed solicitation.

(2) The UEZ Authority shall review the proposed solicitation and may provide recommended modifications to the proposed solicitation. The governing body of a municipality or a zone development corporation may incur expenses related to the preparation of the preliminary zone development plan for potential reimbursement at a later time by the UEZ Authority, provided the authority determines the expenses are reasonable. The governing body of a municipality or a zone development corporation shall complete a preliminary zone development plan with assistance from the UEZ Authority, as needed, in accordance with a timeline established by the authority pursuant to rules, regulations, or guidelines adopted by the authority.

(3) Within 14 days of receipt, unless the authority finds material deficiencies in a preliminary zone development plan, the authority shall approve and certify the preliminary zone development plan as the zone development plan. The zone development plan shall be the plan according to which the Urban Enterprise Zone program shall be administered in that zone, and certification of the plan shall constitute the authority’s designation or re-designation of the municipality as an enterprise zone. Should the authority find deficiencies with a preliminary zone development plan, it shall provide a corrective action plan to the municipality.

(4) Notwithstanding the provisions of subsection g. of section 5 of P.L.1992, c.79 (C.40A:12A-5) or any other law to the contrary, approval by the authority of the zone development plan for an enterprise zone coterminous with the borders of a municipality shall not be considered sufficient for the determination that the area is in need of redevelopment pursuant to sections 5 and 6 of P.L.1992, c.79 (C.40A:12A-5 and 40A:12A-6) for the purpose of granting tax exemptions within the enterprise zone district pursuant to the provisions of P.L.1991, c.431 (C.40A:20-1 et seq.) or for the adoption of a tax abatement and exemption ordinance pursuant to the provisions of P.L.1991, c.441 (C.40A:21-1 et seq.); provided, however, the authority’s certification of a final eligible block group within an enterprise zone pursuant to section 12 of P.L. , c. (C.     ) (pending before the Legislature as this bill), shall be considered sufficient for the determination that an area within a final eligible block group is in need of redevelopment for the purpose of granting tax exemptions within the eligible block group pursuant to the provisions of P.L.1991, c.431 (C.40A:20-1 et seq.) and the adoption of a tax abatement and exemption ordinance pursuant to the provisions of P.L.1991, c.441 (C.40A:21-1 et seq.).

c. If no zone development plan is in place, upon petition of the zone development corporation or governing body of the municipality, the UEZ Authority may grant a distribution from that municipality’s zone assistance fund account for an eligible project that responds to an impact of a public health emergency or state of emergency declared by the Governor.

d. No zone development plan shall remain in force once it has been certified by the UEZ Authority for more than five years. The governing body of a municipality or zone development corporation shall follow the process enumerated in subsections a. and b. of this section to ensure a zone development plan remains current to protect against lapse of enterprise zone designation.

e. Notwithstanding the provisions of this section to the contrary, a qualified business in an enterprise zone having such qualified status immediately preceding the effective date of P.L. , c. (pending before the Legislature as this bill), and which is qualified under P.L.    , c. (pending before the Legislature as this bill), shall remain eligible for the exemptions from the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), pursuant to sections 20 and 21 of P.L.1983, c.303 (C.52:27H-79 and C.52:27H-80), and shall be eligible for the exemption under section 8 of P.L.    , c. (C. ) (pending before the Legislature as this bill) even if the municipality in which the business is located fails to submit a zone development plan in accordance with this section; provided, however, a municipality failing to submit a zone development plan under this section shall not be eligible for loans, grants, and other assistance from the UEZ Authority, except as provided for in subsection c. of this section, until a revised zone development plan is submitted and approved by the UEZ Authority.

(cf: P.L.1983, c.539, s.1)

5. Section 10 of P.L.1983, c.303 (C.52:27H-69) is amended to read as follows:

10. a. An area defined by a continuous border within one qualifying municipality **[**or within two or more contiguous qualifying municipalities and two noncontiguous areas each having a continuous border within two noncontiguous qualifying municipalities**]** shall be eligible for designation as a zone if:

**[**a.**]** (1) It has been designated an "area in need of rehabilitation" pursuant to Article VIII, Section I, paragraph 6 of the Constitution of the State of New Jersey **[**and P.L.1977, c.12 (C.54:4-3.95 et seq.)**]**; or is qualified for that designation in the judgment of the authority; and

**[**b.**]** (2) It meets the criteria established by the authority pursuant to **[**this act**]** P.L.1983, c.303 (C.52:27H-60 et seq.) relating to the incidence of poverty, unemployment and general economic distress.

b. In addition to areas eligible for designation as a zone pursuant to subsection a. of this section, an area shall be eligible for designation as an enterprise zone if the municipality in which the area is located is among the top 20 percent of the most distressed New Jersey municipalities, according to the most recent Municipal Revitalization Index, and:

(1) the share of parcels accounted for by commercial and industrial property within the municipality exceeds the Statewide average of commercial and industrial parcels according to the most recently released Property Value Classification prepared by the Department of the Community Affairs, and

(2) the municipality has an unemployment rate that exceeds the most recent annual Statewide unemployment rate.

c. If a county does not contain an area that qualifies to be designated as an enterprise zone, the UEZ Authority may, upon application, designate as an enterprise zone the area within the county which is in the most distressed municipality in the county according to the most recent Municipal Revitalization Index.

d. In the case of a qualifying municipality with a population exceeding 5,000, designation as a zone shall be contingent upon such municipality appointing a full-time economic development officer, who may also serve as the UEZ Coordinator, or establishing a zone development corporation.

(cf: P.L.1993, c.367, s.5)

6. Section 13 of P.L.1983, c.303 (C.52:27H-72) is amended to read as follows:

13. a. In designating eligible areas as enterprise zones, the authority shall **[**accord preference to**]** approve zone development plans which:

(1) Have **[**the greatest**]** potential for success in stimulating primarily new economic activity in the area;

(2) Are designed to address **[**the greatest degree of**]** urban distress, as measured by existing levels of unemployment, poverty, and property tax arrearages;

(3) Demonstrate **[**the most**]** substantial and reliable commitments of resources by zone businesses, zone neighborhood associations, voluntary community organizations and other private entities to the economic success of the zone;

(4) Demonstrate **[**the most**]** substantial effort and commitment by the municipality to encourage economic activity in the area and to remove disincentives for job creation compatible with the fiscal condition of the municipality.

b. In addition to the considerations set forth in subsection a. of this section, the authority in evaluating a zone development plan for designation purposes shall consider:

(1) The likelihood of attracting federal assistance to projects in the eligible area, and of obtaining federal designation of the area as an enterprise zone for federal tax purposes;

(2) The adverse or beneficial effects of an enterprise zone located at the proposed area upon economic development activities or projects of State or other public agencies which are in operation, or are approved for operation, in the qualifying municipality;

(3) The degree of commitment made by public and private entities to utilize minority contractors and assure equal opportunities for employment in connection with any construction or reconstruction to be undertaken in the eligible area;

(4) The impact of the zone development plan upon the social, natural and historic environment of the eligible area;

(5) The degree to which the implementation of the plan involves the relocation of residents from the eligible area, and the adequacy of commitments and provisions with respect thereto.

c. A designated zone that is operative on the effective date of P.L. , c. (pending before the Legislature as this bill) shall remain a designated zone until the end of the 10th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill).

d. (1) On the first day of the ninth State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), the UEZ Authority shall determine which zones are within municipalities that are among the top 20 percent of the most distressed New Jersey municipalities, according to the most recent Municipal Revitalization Index, and whether:

(a) the share of parcels accounted for by commercial and industrial property within each municipality exceeds the Statewide average of commercial and industrial parcels according to the most recently released Property Value Classification prepared by the Department of the Community Affairs, and

(b) each municipality has an unemployment rate that exceeds the most recent annual Statewide unemployment rate.

(2) (a) A zone located within a municipality that does not meet the criteria set forth in paragraph (1) of this subsection shall be ineligible for designation as an enterprise zone at the close of the 10th State fiscal year after the effective date of P.L. , c. (pending before the Legislature as this bill).

(b) A zone located within a municipality that meets the criteria set forth in paragraph (1) of this subsection shall be designated an enterprise zone for an additional 10 years.

e. (1) Notwithstanding the provisions of section 10 of P.L.1983, c.303 (C.52:27H-69), section 2 of P.L.1985, c.391 (C.52:27H-69.1), or any other law or regulation to the contrary, boundaries of each zone shall be coterminous with borders of an eligible municipality beginning on the effective date of P.L. , c. (pending before the Legislature as this bill).

(2) Notwithstanding the provisions of subsection g. of section 5 of P.L.1992, c.79 (C.40A:12A-5) or any other law to the contrary, the extension of the boundaries of a zone to be coterminous with the borders of a municipality pursuant to this subsection shall not be considered sufficient for the determination that the area is in need of redevelopment pursuant to sections 5 and 6 of P.L.1992, c.79 (C.40A:12A-5 and 40A:12A-6) for the purpose of granting tax exemptions within the enterprise zone district pursuant to the provisions of P.L.1991, c.431 (C.40A:20-1 et seq.) or for the adoption of a tax abatement and exemption ordinance pursuant to the provisions of P.L.1991, c.441 (C.40A:21-1 et seq.); provided, however, certification of a final eligible block group within an enterprise zone certified pursuant to section 12 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be considered sufficient for the determination that an area within a final eligible block group is in need of redevelopment for the purpose of granting tax exemptions within the eligible block group pursuant to the provisions of P.L.1991, c.431 (C.40A:20-1 et seq.) and the adoption of a tax abatement and exemption ordinance pursuant to the provisions of P.L.1991, c.441 (C.40A:21-1 et seq.).

f. Following the effective date of P.L. , c. (pending before the Legislature as this bill), the UEZ Authority may designate enterprise zones from among qualifying municipalities determined to be eligible notwithstanding the limitation on the number of eligible zones set forth in section 7 of P.L.1983, c.303 (C.52:27H-66), section 3 of P.L.1995, c.382 (C.52:27H-66.1), and section 12 of P.L.2001, c.347 (C.52:27H-66.7).

(cf: P.L.1983, c.303, s.13)

7. Section 20 of P.L.1983, c.303 (C.52:27H-79) is amended to read as follows:

20. a. Receipts from retail sales of tangible personal property (except motor vehicles and energy) and sales of services (except telecommunications services and utility services) to a qualified business for the exclusive use or consumption of such business within an enterprise zone are exempt from the taxes imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

b. (Deleted by amendment, P.L.2011, c.28)

c. As used in this section:

"Qualified business" includes a person who is certified as a qualified business by the authority **[**on or before the date a claim for refund is made and filed with the Director of the Division of Taxation in the Department of the Treasury pursuant to subsection e. of this section**]** and provided a UZ-5 certification by the authority pursuant to subsection d. or f. of section 12 of P.L. , c. (C. ) (pending before the Legislature as this bill).

d. (Deleted by amendment, P.L.2011, c.28)

e. **[**(1) Notwithstanding the provisions of section 20 of P.L.1966, c.30 (C.54:32B-20) and the provisions of R.S.54:49-14, the Director of the Division of Taxation in the Department of the Treasury shall refund to a person who is a qualified business the amount of any sales tax or any use tax paid by the person in connection with that person's purchase of tangible personal property or services that is exempt, pursuant to subsection a. of this section, from the taxes imposed by P.L.1966, c.30 (C.54:32B-1 et seq.) if the person who is a qualified business makes and files a claim for refund with the director within one year of the date the payment of tax for purchase is made.

(2) A person who is a qualified business shall make and file a claim for refund on such forms, and accompanied by auditable receipts and such other documentation, as the director may prescribe.**]** (Deleted by amendment, P.L. , c. ) (pending before the Legislature as this bill)

(cf: P.L.2011, c.28, s.1)

8. (New section) a. Receipts from retail sales of materials, supplies, and services for the exclusive use of erecting structures or buildings on, or improving, altering or repairing the real property of a qualified business, or a contractor hired by the qualified business to make such improvements, alterations, or repairs, are exempt from the taxes imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

b. As used in this section:

"Qualified business" includes a person who is certified as a qualified business by the authority and provided a UZ-4 certification by the authority pursuant to subsection d. or f. of section 12 of P.L.    , c. (C. ) (pending before the Legislature as this bill) on or before the date a claim for refund is made and filed with the Director of the Division of Taxation in the Department of the Treasury pursuant to subsection b. of this section.

9. Section 21 of P.L.1983, c.303 (C.52:27H-80) is amended to read as follows:

21. Receipts of retail sales, except retail sales of motor vehicles, of alcoholic beverages as defined in the "Alcoholic Beverage Tax Law," R.S.54:41-1 et seq., of cigarettes as defined in the "Cigarette Tax Act," P.L.1948, c.65 (C.54:40A-1 et seq.), of manufacturing machinery, equipment or apparatus, and of energy, made by a **[**certified**]** seller located in an eligible block group or on an adjacent parcel, as defined in subsection a. of section 12 of P.L. , c. (C.        ) (pending before the Legislature as this bill) and provided a UZ-2 certification by the authority from a place of business owned or leased and regularly operated by the seller for the purpose of making retail sales, and located in a designated enterprise zone established pursuant to the "New Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et al.), or a UEZ-impacted business district established prior to the effective date of P.L. , c. (pending before the Legislature as this bill) pursuant to section 3 of P.L.2001, c.347 (C.52:27H-66.2), are exempt to the extent of **[**50%**]** 50 percent of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

Any seller, which is a qualified business having a place of business located in a designated enterprise zone or in a designated UEZ-impacted business district, may apply to the **[**Director of the Division of Taxation in the Department of the Treasury**]** UEZ Authority for a UZ-2 certification pursuant to this section provided the seller is located in an eligible block group or an adjacent parcel, as defined in subsection a. of section 12 of P.L. , c. (C. ) (pending before the Legislature as this bill). The **[**director**]** UEZ Authority shall certify a seller if the **[**director**]** UEZ Authority shall find that the seller owns or leases and regularly operates a place of business located in the designated enterprise zone or in the designated UEZ-impacted business district for the purpose of making retail sales, that items are regularly exhibited and offered for retail sale at that location, and that the place of business is not utilized primarily for the purpose of catalogue or mail order sales. The certification under this section shall remain in effect during the time the business retains its status as a qualified business meeting the eligibility criteria of section 27 of P.L.1983, c.303 (C.52:27H-86). However, the **[**director**]** UEZ Authority may at any time revoke a certification granted pursuant to this section if the **[**director**]** UEZ Authority shall determine that the seller no longer complies with the provisions of this section. The Department of the Treasury shall provide to a qualified business a certificate evidencing its UZ-2 certification, which certificate shall indicate the location at which the sales tax exemption provided for in this section is available.

Notwithstanding the provisions of **[**this act**]** P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, except as may otherwise be provided by section 7 of P.L.1983, c.303 (C.52:27H-66), the authority may, in its discretion, determine if the provisions of this section shall apply to any enterprise zone designated after the effective date of P.L.1985, c.142 (C.52:27H-66 et al.); provided, however, that the authority may make such a determination only where the authority finds that the award of an exemption of 50 percent of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.) will not have any adverse economic impact upon any other urban enterprise zone.

**[**Notwithstanding any other provisions of law to the contrary, except as provided in subsection b. of section 6 of P.L.1996, c.124 (C.13:1E-116.6), after first depositing 10 percent of the gross amount of all revenues received from the taxation of retail sales made by certified sellers from business locations in designated enterprise zones to which this exemption shall apply into the account created in the name of the authority in the enterprise zone assistance fund pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88), the remaining 90 percent shall be deposited immediately upon collection by the Department of the Treasury, as follows:

a. In the first five-year period during which the State shall have collected reduced rate revenues within an enterprise zone, all such revenues shall be deposited in the enterprise zone assistance fund created pursuant to section 29 of P.L.1983, c.303 (C.52:27H-88);

b. In the second five-year period during which the State shall have collected reduced rate revenues within an enterprise zone, 66 2/3% of all those revenues shall be deposited in the enterprise zone assistance fund, and 33 1/3% shall be deposited in the General Fund;

c. In the third five-year period during which the State shall have collected reduced rate revenues within an enterprise zone, 33 1/3% of all those revenues shall be deposited in the enterprise zone assistance fund, and 66 2/3% shall be deposited in the General Fund;

d. In the final five-year period during which the State shall have collected reduced rate revenues within an enterprise zone, but not to exceed the life of the enterprise zone, all those revenues shall be deposited in the General Fund.

Commencing on the effective date of P.L.1993, c.144, all revenues in any enterprise zone to which the provisions of this section have been extended prior to the enactment of P.L.1993, c.144 shall be deposited into the enterprise zone assistance fund until there shall have been deposited all revenues into that fund for a total of five full years, as set forth in subsection a. of this section. The State Treasurer then shall proceed to deposit funds into the enterprise zone assistance fund according to the schedule set forth in subsections b. through d. of this section, beginning at the point where the enterprise zone was located on that schedule on the effective date of P.L.1993, c.144. No enterprise zone shall receive the deposit benefit granted by any one subsection of this section for more than five cumulative years.

The revenues required to be deposited in the enterprise zone assistance fund under this section shall be used for the purposes of that fund and for the uses prescribed in section 29 of P.L.1983, c.303 (C.52:27H-88), subject to annual appropriations being made for those purposes and uses.**]**

(cf: P.L.2011, c.49, s.15)

10. Section 29 of P.L.1983, c.303 (C.52:27H-88) is amended to read as follows:

29. a. (1) There is created an enterprise zone assistance fund to be held by the State Treasurer, which shall be the repository for all moneys required to be deposited therein under section **[**21 of P.L.1983, c.303 (C.52:27H-80) or moneys appropriated annually to the fund**]** 11 of P.L. , c. (C. ) (pending before the Legislature as this bill). All moneys deposited in the fund shall be held and disbursed in the amounts necessary to fulfill the purposes of this section and subject to the requirements hereinafter prescribed. The State Treasurer may invest and reinvest any moneys in the fund, or any portion thereof, to strengthen capital structures, leverage additional debt capital, and increase lending and investing in economically disadvantaged communities, and in any other manner that advances the goals of the Urban Enterprise Zone program, including, but not limited to legal obligations of the United States or of the State or of any political subdivision thereof or government-sponsored enterprises. Any income from, interest on, or increment to moneys so invested or reinvested shall be included in the fund.

Notwithstanding the provisions of section 11 of P.L. , c. (C.        ) (pending before the Legislature as this bill) or any other provision of law to the contrary, the amount to be deposited in the enterprise zone assistance fund shall be as follows:

(a) In the first five State fiscal years next following the effective date of P.L. , c. (pending before the Legislature as this bill), 100 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund;

(b) In the sixth State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 95 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and five percent of such amount shall be deposited in the General Fund;

(c) In the seventh State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 90 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 10 percent of such amount shall be deposited in the General Fund;

(d) In the eighth State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 85 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 15 percent of such amount shall be deposited in the General Fund;

(e) In the ninth State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 80 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 20 percent of such amount shall be deposited in the General Fund;

(f) In the 10th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 75 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 25 percent of such amount shall be deposited in the General Fund;

(g) In the 11th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 70 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 30 percent of such amount shall be deposited in the General Fund;

(h) In the 12th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 65 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 35 percent of such amount shall be deposited in the General Fund;

(i) In the 13th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 60 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 40 percent of such amount shall be deposited in the General Fund;

(j) In the 14th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 55 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 45 percent of such shall be deposited in the General Fund;

(k) In the 15th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 50 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 50 percent of such amount shall be deposited in the General Fund;

(l) In the 16th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 40 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 60 percent of such amount shall be deposited in the General Fund;

(m) In the 17th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 30 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 70 percent of such amount shall be deposited in the General Fund;

(n) In the 18th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 20 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 80 percent of such amount shall be deposited in the General Fund;

(o) In the 19th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), 10 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the enterprise zone assistance fund and 90 percent of such amount shall be deposited in the General Fund; and

(p) In the 20th State fiscal year next following the effective date of P.L. , c. (pending before the Legislature as this bill), and each State fiscal year thereafter, 100 percent of the amount determined pursuant to paragraph (1) of subsection b. of section 11 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall be deposited in the General Fund.

(2) The State Treasurer shall maintain separate accounts for each enterprise zone designated under P.L.1983, c.303 (C.52:27H-60 et seq.) that is in good standing with the UEZ Authority in accordance with rules adopted by the UEZ Authority, and one in the authority's name for the administration of the Urban Enterprise Zone program, and for providing grants, investments, loans or other guaranties related to qualified assistance fund expenses. The State Treasurer shall credit to each account an amount of the moneys deposited in the fund **[**equal to the amount of revenues collected from the taxation of retail sales made in the zone and appropriated to the enterprise zone assistance fund, or that amount of moneys appropriated to the fund and required to be credited to the enterprise zone account of the qualifying municipality pursuant to section 21 of P.L.1983, c.303 (C.52:27H-80)**]** determined by a formula that applies weight to a zone municipality’s number of commercial and industrial parcels as recorded by the municipal tax assessor, its Municipal Revitalization Index Distress Score, and the average number of unemployed persons in the municipality according to data provided by the New Jersey Department of Labor and Workforce Development. When funds are received by a qualifying municipality pursuant to this subsection, the funds shall be placed in a new trust or, for a qualifying municipality that has a trust for an enterprise zone on the effective date of P.L. , c. (pending before the Legislature as this bill), in the existing trust. The Division of Local Government Services in the Department of Community Affairs shall promulgate regulations, policies, or procedures as necessary to implement the provisions of this section.

(3) The State Treasurer shall promulgate the rules and regulations necessary to govern the administration of the fund for the purposes of this section, which shall include, but not be limited to, regulations requiring the establishment of separate bank accounts for funds credited to the enterprise zone account of each municipality from the enterprise zone assistance fund, commonly known as "first generation funds," and funds generated from the repayments of loans to individuals and businesses from the enterprise zone account of each municipality and the proceeds from the sale of properties and equipment acquired through the enterprise zone program, commonly known as "second generation funds," and the review, compilation, and monitoring of second generation fund quarterly reports submitted by each enterprise zone.

Any individual, including an individual who is not directly employed by a municipality, with the authority to administer, allocate or approve the use of zone assistance funds is subject to the "Local Government Ethics Law," P.L.1991, c.29 (C.40A:9-22.1 et seq.), unless the individual is a State employee or a special State officer.

b. The enterprise zone assistance fund shall be used for the purpose of assisting qualifying municipalities in which enterprise zones are designated in undertaking economic development projects in designated enterprise zones by funding qualified assistance fund expenses. However, a municipality shall not appropriate or expend more than 25 percent of the amount annually credited to its enterprise zone assistance fund for public safety purposes, as described pursuant to paragraph (4) of subsection m. of section 3 of P.L.1983, c.303 (C.52:27H-62).

c. The governing body of a qualifying municipality in which an enterprise zone is designated and the zone development corporation created or designated by the municipality for that enterprise zone may, by resolution jointly adopted after public hearing, propose to undertake an economic development project in the enterprise zone, and to fund that project from moneys deposited in the enterprise zone assistance fund and credited to the account maintained by the State Treasurer for the enterprise zone.

The proposal so adopted shall set forth a plan for the project and shall include:

(1) A description of the proposed project;

(2) An estimate of the total project costs, and an estimate of the amounts of funding necessary annually from the enterprise zone account;

(3) A statement of any other revenue sources to be used to finance the project;

(4) A statement of the time necessary to complete the project;

(5) A statement of the manner in which the proposed project furthers the municipality's policy and intentions for addressing economic development in the enterprise zone as set forth in the zone development plan approved by the authority; and

(6) A description of the financial and programmatic controls and reporting mechanisms to be used to guarantee that the funds will be spent in accordance with the plan and that the project will accomplish its purpose.

As used in this section, "project" means an activity **[**funded by the zone assistance fund through the qualified municipality and implemented by the zone development corporation,**]** that satisfies the requirements of a qualified assistance fund expense, as that term is defined in subsection m. of section 3 of P.L.1983, c.303 (C.52:27H-62), and which will lead to the creation of new jobs and increased economic activity within the zone **[**, such as: the establishment of revolving loan programs for qualified businesses in the zone to encourage private investment and job creation, and marketing, advertising and special event activities that will lead to increased economic activity or encourage private investment and job creation in the zone, but not including the expenditures therefor which are required to be reported pursuant to "The New Jersey Campaign Contributions and Expenditures Reporting Act," P.L.1973, c.83 (C.19:44A-1 et al.) and the costs associated therewith including the costs of economic analyses**]**.

d. **[**Upon adoption by the governing body of the qualifying municipality and by the zone development corporation, the proposal shall be sent to the authority for its evaluation and approval. The authority shall approve the proposal if it shall find that the proposed project furthers the policy and intentions of the zone development plan approved by the authority, and that the estimated annual payments for the project from the enterprise zone account to which the proposal pertains are not likely to result in a deficit in that account.**]** (Deleted by amendment, P.L. , c. ) (pending before the Legislature as this bill)

e. **[**If the authority shall approve the proposal, it shall annually, upon its receipt of a written statement from the governing body of the qualifying municipality and the zone development corporation, certify to the State Treasurer the amount to be paid in that year from the enterprise zone account in the enterprise zone assistance fund with respect to each approved project. The authority may at any time revoke its approval of a project if it finds that the annual payments made from the enterprise zone assistance fund are not being used as required by this section.**]** (Deleted by amendment, P.L. , c. ) (pending before the Legislature as this bill)

f. **[**Upon certification by the authority of the annual amount to be paid to a qualifying zone with respect to any project, the State Treasurer shall pay in each year to the qualifying municipality from the amounts deposited in the enterprise zone assistance fund the amount so certified, within the limits of the amounts credited to the enterprise zone account of the qualifying municipality.**]** (Deleted by amendment, P.L. , c. ) (pending before the Legislature as this bill)

g. **[**An amount not to exceed one-third of the amount deposited in the account created in the name of the authority in the enterprise zone assistance fund shall be used by the authority for the coordination and administration of the program throughout the State, including but not limited to costs for personnel, operating expenses and marketing. The balance of the remaining amount shall be distributed to qualifying municipalities in proportion to each municipality's contribution to the enterprise zone assistance fund for the coordination and administration of the program within the municipality, including but not limited to costs for personnel, operating expenses and marketing.**]** (Deleted by amendment, P.L. , c. ) (pending before the Legislature as this bill)

h. At the end of a State fiscal year, if a municipality has not encumbered a portion of its allocation, such amount may be carried forward to the next State fiscal year and the State fiscal year thereafter. If at the end of the third State fiscal year any of those unencumbered funds remain, then the funds shall be transferred to the UEZ Authority’s account in the enterprise zone assistance fund.

i. At the end of a State fiscal year, if a municipality has not expended or otherwise committed a portion of its encumbered funds, then such amount may be carried forward to the next three succeeding State fiscal years. If at the end of the third State fiscal year any unexpended funds remain, then the funds shall be transferred to the UEZ Authority’s account in the enterprise zone assistance fund.

j. At the end of a State fiscal year, the Department of Community Affairs shall review an enterprise zone’s expenditures of funds received from the zone assistance fund. If the department finds that an enterprise zone expended such funds in a manner inconsistent with the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) and P.L.     , c. (pending before the Legislature as this bill), then the enterprise zone shall repay such funds to the department through the forfeiture of future zone assistance fund disbursements. The department shall withhold future funding from the enterprise zone until the enterprise zone enters into and complies with a corrective action plan developed by the department.

(cf: P.L.2018, c.19, s.4)

11. (New section) a. There is created an Urban Enterprise Zone Fund to be held by the State Treasurer, which shall be the repository for all moneys appropriated annually to the fund beginning in State Fiscal Year 2022 and thereafter. All moneys deposited in the fund shall be held and disbursed in the amounts necessary to fulfill the purposes of this section and subject to the requirements hereinafter prescribed. The State Treasurer, in consultation with the UEZ Authority, may invest and reinvest any moneys in the fund, or any portion thereof, in legal obligations of the United States or of the State or of any political subdivision thereof to strengthen capital structures, leverage additional debt capital, and increase lending and investing in economically disadvantaged communities, and in any other manner that advances the goals of the UEZ program. Any income from, interest on, or increment to moneys so invested or reinvested shall be included in the fund.

b. The State Treasurer, in consultation with the UEZ Authority, shall determine the gross amount of revenues generated from the reduced sales tax collected within zones deposited in the assistance fund along with the aggregate amount, expressed in dollars, of the incentives provided under P.L.1983, c.303 (C.52:27H-60 et seq.) in the 12-month period beginning January 1, 2019 and ending December 31, 2019. This amount shall be the “UEZ base fund amount” and beginning in State Fiscal Year 2022 shall be adjusted annually based on the percentage change in the 12-month Consumer Price Index from June 30 to July 1 of each year.

Beginning in State Fiscal Year 2022, and in each State fiscal year thereafter, the UEZ base fund amount determined pursuant to this subsection shall be appropriated to the Urban Enterprise Zone Fund and allocated as follows:

(1) Subject to the provisions of subsection a. of section 29 of P.L.1983, c.303 (C.52:27H-88), 20 percent shall be allocated to the enterprise zone assistance fund for deposit into separate accounts in accordance with section 29 of P.L.1983, c.303 (C.52:27H-88);

(2) Five percent shall be allocated to the enterprise zone assistance fund for use by the UEZ Authority to provide loans, grants, investments, and other assistance to qualified businesses, diverse Statewide or regional business organizations that represent the interests of minority businesses, as defined in section 2 of P.L.1986, c.195 (C.52:27H-21.18), and qualified municipalities, and some amount shall be allocated to the UEZ Authority for administration of the Urban Enterprise Zone program, provided the amount allocated to the UEZ Authority for administrative expenses shall not exceed $2,500,000 in State Fiscal Year 2022 and, for each State fiscal year thereafter, shall not exceed $2,500,000 as adjusted by the percentage change in the 12-month Consumer Price Index from June 30 to July 1;

(3) Thirty percent, plus such additional funds as shall be determined in accordance with subsection a. of section 29 of P.L.1983, c.303 (C.52:27H-88), shall be allocated to the General Fund; and

(4) No more than 45 percent shall be allocated to the combined cost of qualified businesses with a UZ-2, UZ-4, or UZ-5 certification, and the energy sales tax exemption. If less than 45 percent is needed to meet the combined cost of the benefits claimed by qualified businesses with a UZ-2, UZ-4, or UZ-5 certification, and the energy sales tax exemption:

(a) 50 percent of the incremental amount dedicated under this subsection shall be allocated to the enterprise zone assistance fund, with 20 percent of this amount allocated for the UEZ Authority’s use and 80 percent allocated to separate accounts in the enterprise zone assistance fund for each enterprise zone designated under P.L.1983, c.303 (C.52:27H-60 et seq.); and

(b) 50 percent of the increment dedicated under this paragraph shall be deposited in the General Fund.

Should more than 45 percent be needed for the combined allocated cost in any current State fiscal year, the UEZ Authority shall reset the Economic Distress Index percentile that governs business qualification at the beginning of the State fiscal year to such number that is projected to allow the allocation to remain at or under 45 percent.

12. (New section) a. As used in this section:

“Eligible block group” means a block group that meets or exceeds the 50th percentile of the most recent Economic Distress Index; and

“Adjacent parcel” means a parcel of real property located within the same municipality as an eligible block group, and which parcel shares a border with an eligible block group, including but not limited to sharing a property line with an eligible block group or bordering on a public street with an eligible block group.

b. The UEZ Authority shall notify each qualified municipality of each eligible block group within the municipality no later than 14 days after the effective date of P.L. , c. (pending before the Legislature as this bill). The UEZ Authority shall then certify the final eligible block groups and adjacent parcels to each municipality and shall post a link to a list of eligible block groups and adjacent parcels on the UEZ Authority’s Internet homepage on the Department of Community Affair’s Internet website.

c. A qualified business shall be located in an eligible block group or on an adjacent parcel or be an industrial business in an industrial hub. The certification of a qualified business that is not located in an eligible block group or on an adjacent parcel shall expire on January 1, 2022 unless the business is located in a major job center or is an industrial business located in an industrial hub.

d. The certification of a qualified business located in an eligible block group or on an adjacent parcel shall expire at the end of the 10th State fiscal year following the State fiscal year in which the business was first certified as a qualified business unless the business is located in a major job center or is an industrial business in an industrial hub. The certification for a business that has been certified for more than 10 State fiscal years prior to the effective date of P.L.    , c. (pending before the Legislature as this bill) shall expire on January 1, 2022 unless the business is located in a major job center or is an industrial business in an industrial hub. A business whose certification has expired shall not be eligible to seek a new certification.

e. A business which satisfied the criteria for designation as a qualified business immediately preceding the effective date of P.L.    , c. (pending before the Legislature as this bill), which business is carrying out a qualified construction project, or which can demonstrate to the UEZ Authority an actionable and feasible plan to carry out a qualified construction project within one year of the effective date of P.L. , c. (pending before the Legislature as this bill), and which can demonstrate its reliance on the UZ-4 benefit, UZ-5 benefit, or both, may apply to the UEZ Authority for a UZ-4 certification, a UZ-5 certification, or both, and the certification shall continue until completion of the qualified construction project. The Department of the Treasury shall provide to a qualified business a certificate evidencing its UZ-4 certification or UZ-5 certification which certificate shall indicate the location at which the sales tax exemption provided for in section 20 of P.L.1983, c.303 (C.52:27H-79) or section 8 of P.L. , c. (C. ) is available.

f. The UEZ Authority may, upon application by the local UEZ Coordinator or governing body of a qualifying municipality, issue a UZ-4 certification to a qualified business undertaking a qualified construction project in an enterprise zone, although the business is not located within an eligible block group or on an adjacent parcel. The UEZ Authority may grant this benefit to no more than eight qualified construction projects, beyond those eligible under subsection d. of this section, at any given time. A UZ-4 certification issued under this subsection shall continue until completion of the qualified construction project.

g. The UEZ Authority may, upon application by the local UEZ Coordinator or the governing body of a qualified municipality, issue a UZ-4 certification, a UZ-5 certification, or both, to a qualified business located within an enterprise zone, although the business is not located within an eligible block group or on an adjacent parcel. The UEZ Authority may grant this benefit to no more than 24 qualified businesses, beyond those eligible under subsection e. of this section, at any given time. Each UZ-4 certification or UZ-5 certification issued under this subsection shall remain active so long as the business in receipt of the benefit remains qualified.

13. (New section) On or before June 30 of each year next following the effective date of P.L. , c. (pending before the Legislature as this bill), the State Treasurer shall provide to the UEZ Authority an annual report of the aggregate amount, expressed in dollars, of the incentives provided under P.L.1983, c.303 (C.52:27H-60 et seq.) to all qualified businesses and municipalities. The report shall include aggregate data on gross revenues, retail sales taxes collected, and shall also include information on the address, municipality, and industry of each business. All data from participating businesses shall be collected through an online application and consumer access portal, where possible.

14. (New section) The UEZ Authority shall conduct an annual review that determines the number of participating businesses, unemployment rate, median household income, and number of jobs in each enterprise zone to assess the program’s progress. The review shall also include the total tax expenditures by zone and total zone assistance funds expended as the requisite data becomes available from the annual report from the Department of the Treasury required pursuant to section 13 of P.L. , c. (C. ) (pending before the Legislature as this bill). The UEZ Authority shall review the status of any projects that were approved by participating enterprise zones, overall enterprise zone performance, and adherence to the zone development plans. Each review shall include a detailed listing of deliverables by each enterprise zone and the State that are to be implemented and subsequently evaluated in the future.

15. (New section) The UEZ Authority and the Department of Labor and Workforce and Development shall enter into a memorandum of understanding to assist in substantial and comprehensive data gathering and information sharing between the two agencies to further the UEZ Authority’s ability to evaluate enterprise zone performance and compliance, and to initiate enforcement actions.

16. (New section) Following the effective date of P.L. , c. (pending before the Legislature as this bill), no new applications for the enterprise zone employee tax credit, pursuant to section 19 of P.L.1983, c.303 (C.52:27H-78), or for the corporation business tax exemption, pursuant to section 17 of P.L.1983, c.303 (C.52:27H-76), shall be accepted.

17. Section 7 of P.L.1989, c.207 (C.54:4-3.145) is amended to read as follows:

7. a. Each approved abatement shall be evidenced by a financial agreement between the qualified municipality and the applicant. The agreement shall be prepared by the applicant and shall contain the representations that are required by the enabling ordinance. The agreement shall provide for the applicant to annually pay to the municipality an amount in lieu of real property taxes, to be computed according to either subsection b. or c. of this section, as provided for in the enabling ordinance.

b. Payments in lieu of taxes may be computed as two percent of the cost of the improvements or conversion alterations, as appropriate for five years following such completion and in the sixth and all subsequent tax years following completion, 100% of the equalized taxes otherwise due; or

c. Payments in lieu of taxes may be computed in the discretion of the qualified municipality as a portion of the real property taxes otherwise due, **[**according to the following schedule:

(1) In the first tax year following completion, no payment in lieu of taxes otherwise due;

(2) In the second tax year following completion, an amount not less than 20% of taxes otherwise due;

(3) In the third tax year following completion, an amount not less than 40% of taxes otherwise due;

(4) In the fourth tax year following completion, an amount not less than 60% of taxes otherwise due;

(5) In the fifth tax year following completion, an amount not less than 80% of taxes otherwise due;

(6) In**]** provided that in the sixth and all subsequent tax years following completion, payments in lieu of taxes shall equal 100% of the equalized taxes otherwise due.

d. For the purposes of this section, the amount of "taxes otherwise due" (not to be confused with "equalized taxes otherwise due") shall be determined by including the appropriate percentage of the assessed valuation of the abated structure, improvement or conversion alteration, as the case may be, on the assessment list of the municipality as taxable property, and levying taxes thereon in the same manner as other taxes are levied pursuant to chapter 4 of Title 54 of the Revised Statutes; provided, however, that no value for a property subject to the provisions of this act shall be included in the calculation of the "net valuation on which county taxes are apportioned" until the first tax year for which a municipal-wide revaluation is implemented.

(cf: P.L.1991, c.469, s.2)

18. The following sections of law are repealed:

Section 4 of P.L.2001, c.347 (C.52:27H-66.3);

Section 6 of P.L.2001, c.347 (C.52:27H-66.5);

Section 11 of P.L.2001, c.347 (C.52:27H-66.6);

Section 16 of P.L.1983, c.303 (C.52:27H-75); and

Section 9 of P.L.1988, c.93 (C.52:27H-80.2).

19. This act shall take effect immediately.

STATEMENT

This bill would restore and reform the State Urban Enterprise Zone (UEZ) Program. The bill proposes to recast the manner in which the State allocates the amounts it spends in support of the UEZ program in a manner to best reflect the legislative intent behind the UEZ program.

The bill would expand the criteria for becoming a UEZ to enable more municipalities to be eligible for UEZs, while enabling currently designated UEZs and UEZ-businesses that would not qualify under the new criteria to continue in the UEZ program for a limited period of time. The criteria for designation of a new UEZ would be based on the Municipal Revitalization Index (MRI) and provide that an area would be eligible for designation as a UEZ if:

* the municipality in which the area is located is among the top 20 percent of the most distressed New Jersey municipalities, according to the most recent MRI;
* the share of parcels accounted for by commercial and industrial property within the municipality exceeds the Statewide average of commercial and industrial parcels according to the most recently released Property Value Classification prepared by the Department of the Community Affairs; and
* the municipality has an unemployment rate that exceeds the annual Statewide unemployment rate.

The bill would also enhance eligibility for participation in the program by providing for designation of a UEZ in a county that does not have a UEZ. In this circumstance, the bill would allow for designation of the area within the county that is the closest to meeting the requirements for zone designation.

The bill would change composition of the UEZ Authority (UEZA) by making the chair of the UEZA the Commissioner of Community Affairs, instead of the leader of the New Jersey Economic Development Authority, and by adding the Chief Executive Officer of the New Jersey Redevelopment Authority as a member of the UEZA instead of one of the public members, thereby reducing the number of public members from five to four. The bill would require the appointment of the new public members, to staggered terms of office, following the reconstitution of the UEZA.

The bill would lift the statutory numerical limitation on the number of UEZs and authorize the UEZA to designate new enterprise zones from among qualifying municipalities determined to be eligible under the bill’s new UEZ criteria. The bill would phase out the "UEZ-impacted business district" component of the UEZ program, and would prohibit new applications for the UEZ employee tax credit and for the UEZ corporation business tax exemption.

The bill would modify the process for qualifying municipalities to adopt zone development plans and to achieve UEZ designation. Under the bill, the UEZA’s certification of a zone development plan would constitute the UEZA’s designation or re-designation of the municipality as an enterprise zone. A zone development plan would have a five-year life, and a municipality would be required to follow the process set forth in the bill to renew plan approval (and UEZ designation) to protect against lapse of enterprise zone designation. A zone development plan would be the plan according to which the UEZ program is administered in that zone. Under the bill, each municipality that had a zone development plan approved more than five years prior to the effective date of the bill must submit an updated preliminary zone development plan. The bill would create a funding stream to assist municipalities in formulating preliminary zone development plans. The bill includes a provision protecting existing qualified businesses from losing eligibility for certain UEZ-related tax exemptions, even if the municipality in which the business is located loses its UEZ designation.

The bill modifies the process and criteria for designation of UEZs but allows currently designated zones to retain UEZ designation for 10 years. At that point, a municipality that does not meet the new UEZ criteria would be ineligible for zone designation, while a zone located within a municipality that meets the new criteria would be designated as an UEZ for an additional 10 years.

The bill would change the boundaries of each zone, on the bill’s effective date, to make zone boundaries coterminous with the borders of the municipality in which the zone is located. The bill specifies that an area located within a UEZ after the bill’s effective date will not be considered sufficient for the determination that the area is in need of redevelopment under the Local Redevelopment and Housing Law, P.L.1992, c.79 (C.40A:12A-1 et seq.), for the purpose of granting tax exemptions or tax abatements, unless the area is located within a UEZA-certified “eligible block group.”

The bill defines the term “eligible block group” as a block group (a statistical division of federally-designated census tracts) that meets or exceeds the 50th percentile of the Economic Distress Index. The bill defines “Economic Distress Index” as a standardized score developed and maintained by the Department of Community Affairs that equally incorporates the block group unemployment rate and median household income according to the most recent five-year estimate by the United States Census Bureau.

The bill uses the term “eligible block group” as a way to limit eligibility of a business to qualify under the UEZ program. Under the bill, as of January 1, 2022, certification of a qualified business that is not located in an eligible block group would lapse unless the business is located in a “major job center” or is an industrial business located in an industrial hub. The bill defines “major job center” as a block group with an Economic Distress Index score greater than or equal to the 50th percentile and in which the jobs per square mile meets or exceeds the State average according to the most recent estimate by the United States Census Bureau.

The bill would alter the current method for distributing sales tax revenues generated within UEZs by replacing the current system (which allows each zone access to a percentage of the sales tax revenue generated within that zone) with a new system (which would distribute a percentage of the total monies appropriated annually to the UEZ Fund, based upon a statutory formula). The new formula would apply weight to: each UEZ municipality’s Municipal Revitalization Index Distress Score; the average number of unemployed persons in each UEZ municipality; and the number of commercial and industrial parcels located in each UEZ municipality.

The bill would also alter the permissible uses of these funds by replacing the current statutory criteria with a new term: “qualified assistance fund expenses,” and defining that term as any reasonable expense, which will lead to the creation of new jobs and increased economic activity within the zone, related to:

(1) a construction project improving, altering, or repairing the real property of a qualified business located in an enterprise zone;

(2) full or part time economic and community development positions in the municipality, other governmental, or not-for-profit organization, or marketing;

(3) loans, grants, and guarantees to businesses;

(4) payroll expenses and equipment purchases primarily for the provision of law enforcement, fire protection, or emergency medical services within commercial and transportation corridors;

(5) planning and other professional services related to economic and community development;

(6) cleaning and maintenance of commercial and transportation corridors;

(7) the improvement of public infrastructure in a commercial or transportation corridor;

(8) the improvement of public infrastructure related to a commercial, industrial, mixed use, or multi-family residential property; or

(9) employment and training programs.

Under the bill, a municipality cannot appropriate or expend more than 25 percent of the amount annually credited to its enterprise zone assistance fund for public safety purposes, as described pursuant to paragraph (4) above.

The bill makes several changes to the incentives and exemptions available under the UEZ program. In so doing, the bill defines three new terms: UZ-2 certification, UZ-4 certification, and UZ-5 certification, which refer to types of certification to be issued under the bill by the UEZA.

Under the bill:

“UZ-2 certification” means a certification provided to a qualified business that allows the qualified business a 50 percent sales tax exemption for sales made by the business within the UEZ;

“UZ-4 certification” means a certification provided to a qualified business that allows a contractor to make tax-free purchases of materials, supplies, and services for the exclusive use of improving, altering or repairing the real property of a qualified business located in an enterprise zone; and

“UZ-5 certification” means a certification provided to a qualified business allowing the business to make tax-free purchases of personal property (other than motor vehicles and motor vehicle parts and supplies) for the business’s exclusive use or consumption on its premises within a UEZ. This exemption also applies to delivery charges and charges for services performed for a qualified business on its premises within a UEZ.

With regard to the 50 percent sales tax exemption for sales made by the holder of a UZ-2 certificate, the bill would allow a business to deliver merchandise (which receives this exemption) to a location outside a UEZ provided the sale is physically transacted within the zone. The bill would restrict eligibility for this exemption to sales made by a qualified business from an “eligible block group” or a parcel of property adjacent to an eligible block group and located within the same municipality.

The bill would retain provisions of current law that require a UEZ municipality and its zone development corporation to jointly adopt proposed uses of UEZ funds, by joint resolution, but would delete provisions of law that currently require the UEZA to review and approve each proposed use of funds. The bill would add provisions that address the escheat of a UEZs unencumbered or unexpended funds, after allowing carry-forwards for a number of years. The bill would also require the Department of Community Affairs (DCA) to review each UEZ’s expenditures of UEZ funds, and require DCA, upon finding that a zone improperly expended UEZ funds, to withhold future funding from the enterprise zone until the enterprise zone enters into and complies with a corrective action plan developed by DCA.

The bill would establish a new methodology and process for appropriating and allocating funds under the UEZ program. Under the bill, the State Treasurer, in consultation with the UEZA, would determine the gross amount of revenues generated from the reduced sales tax collected within zones deposited in the assistance fund along with the aggregate amount, expressed in dollars, of the incentives provided under the UEZ program between January 1, 2019 and December 31, 2019. The bill characterizes this amount as the “UEZ base fund amount.” Beginning in State Fiscal Year 2022, and in each year thereafter, the bill calls for the appropriation of the UEZ base fund amount to the Urban Enterprise Zone Fund, to be allocated as follows:

(1) 20 percent to the enterprise zone assistance fund;

(2) Five percent to the enterprise zone assistance fund for use by the UEZA to provide loans, grants and other assistance to qualified businesses, diverse organizations, and qualified municipalities, and an amount (not to exceed $2,500,000) to the UEZA for administration of the UEZ program;

(3) At least 30 percent to the General Fund; and

(4) No more than 45 percent to the combined cost qualified businesses with UZ-2, UZ-4, UZ-5 certification, and the energy sales tax exemption. The bill sets forth alternative allocations to apply if either more or less than 45 percent of the UEZ base fund amount is needed to meet these combined costs.

The bill provides that the amount to be deposited into the zone assistance fund under the bill’s new funding mechanism will be slowly phased out over a 20-year period.

The bill also provides that a qualified business’ certification will lapse at the end of the 10th State fiscal year following the State fiscal year in which the business had first been certified, unless that business is located in a major job center or is an industrial business located in an industrial hub. The certification for a business that has been certified for more than 10 State fiscal years prior to the effective date of this bill would lapse on January 1, 2022 unless that business is located in a major job center or is an industrial business located in an industrial hub. A business whose certification has lapsed would not be eligible to seek a new certification.

However, the bill provides some ways for a business to continue to qualify for certain UEZ program benefits even if the business is not located in an eligible block group. First, if a qualified business that would lose certification had satisfied the criteria for designation immediately preceding the effective date of this bill, and the business is carrying out a qualified construction project, or can demonstrate an actionable and feasible plan to carry out a qualified construction project within one year of the bill’s effective date, and the business can demonstrate reliance on certain UEZ program benefits, the business may apply to the UEZA to maintain those benefits for the duration of the construction period for the qualified construction project.

Second, the bill allows the UEZA, upon application by the local UEZ Coordinator or municipal governing body, to grant UZ-4 benefits to a qualified business undertaking a construction project in a UEZ, although the project is not within an eligible block group. This would be limited to no more than eight construction projects, Statewide, that do not otherwise qualify under the bill.

Third, the bill allows the UEZA, upon application by the local UEZ Coordinator or municipal governing body, to grant UZ-4 benefits, UZ-5 benefits, or both, to a qualified business in an enterprise zone, regardless of whether project is in an eligible block group. This would be limited to no more than 24 businesses, Statewide, that do not otherwise qualify under the bill.

The bill would modify a provision of law that governs the computation of “payments in lieu of taxes” during the period of a short-term property tax abatement, which may be awarded to incentivize residential development within a UEZ, in order to afford UEZ municipalities greater discretion over the amount of taxes abated during each year of a five-year abatement period. Current law requires 20 percent of the amount of property tax attributable to the new development to be staggered in each year so that the full amount of taxes owed is paid in the sixth year. The bill would remove the provision that requires 20 percent to be staggered in each year but retain the provision requiring the full amount of taxes owed to be paid in the sixth and each subsequent year.

The bill would require the State Treasurer to provide the UEZA an annual report of the aggregate amount, expressed in dollars, of the incentives provided under the UEZ program to qualified businesses and municipalities. The bill would require the UEZA to conduct an annual review to assess the UEZ program’s progress. The bill would also require the UEZA and the Department of Labor and Workforce Development to enter into a Memorandum of Understanding to assist in data gathering and information sharing between the two agencies to further the UEZA’s ability to evaluate enterprise zone performance, compliance, and initiate enforcement actions as applicable.